Foundations of MARKETING
Seventh Edition

Chapter 2

Planning, Implementing, and Evaluating Marketing Strategies

Pride | Ferrell

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Learning Objectives

2-1 Explain the strategic planning process.

2-2 Identify what is necessary to effectively manage the implementation of marketing strategies.

2-3 Describe the major elements of strategic performance evaluation.

2-4 Describe the development of a marketing plan.

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Strategic Marketing Management

Strategic marketing management - effectively and efficiently planning, implementing, and evaluating the performance of marketing activities and strategies

- Effectiveness - degree to which long-term customer relationships help achieve an organization's objectives
- Efficiency - minimizing the resources an organization uses to achieve a specific level of desired customer relationships

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Strategic Planning

Strategic planning – the process of establishing an organizational mission

- Requires establishing an organizational mission and formulating
  - Goals
  - A corporate strategy
  - Marketing objectives
  - **A** marketing strategy
- Should be guided by market orientation
  - To ensure concern for customer satisfaction
  - For the successful development of marketing strategies and planning processes

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Figure 2.1 - Components of the Strategic Planning Process

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Discussion Point – Strategic Marketing

COLOR THAT COMMITS
The amazing, instantly dry, smudge-proof, chip-free manicure!
GelColor
O·P·I
Iconic OPI Shades
Shine-Intense
Lasts for Weeks
No Dry Time
Get gelled today at a salon near you!
Get gelled at ULTA, Beauty Brands, and select Professional locations.

Source: Coty-OPI Inc.

OPI engages in strategic marketing by identifying and analyzing its target market and then developing a marketing mix to meet customers' needs.

What message is OPI sending?

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Fundamentals of the Strategic Planning Process

- **Mission statement** - long-term view, or vision, of what the organization wants to become
- **Corporate strategy** - determines the means for utilizing resources in the functional areas to achieve the organization's goal
- **Strategic business unit (SBU)** - a division, product line, or other profit center within the parent company
  - **Market** - group of individuals/organizations that have needs for a product class and have the ability, willingness, and authority to purchase it
  - **Market share** - percentage of a market that actually buys a specific product from a particular company

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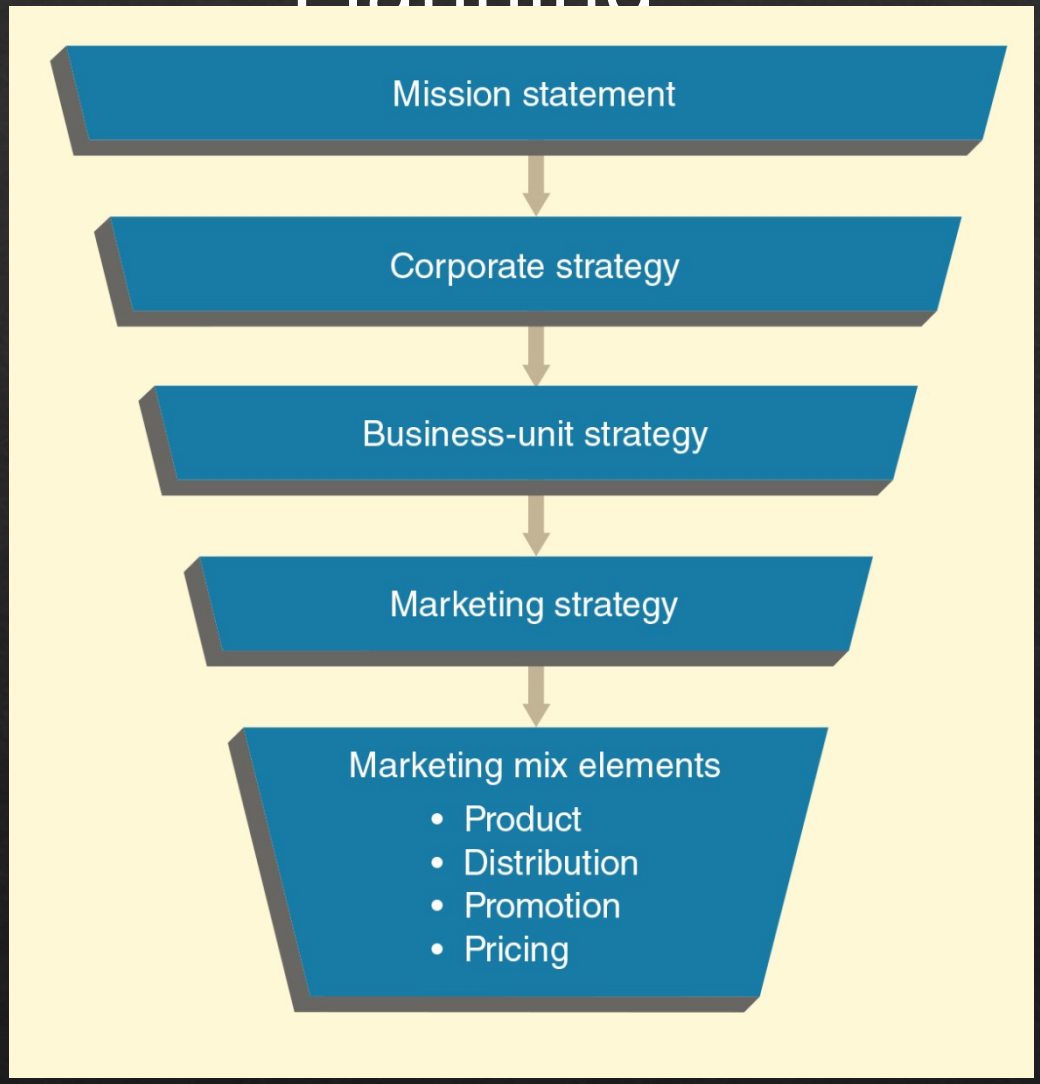
Figure 2.2 - Levels of Strategic Planning



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Discussion Point – Corporate Strategy

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Apple's corporate strategy includes frequent introductions of newly designed, technologically advanced products.

How does this strategy match Apple's resources with the opportunities and threats in the environment?

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Market Growth/Market Share Matrix

- **Market growth/market share matrix** - based on the philosophy that a product's market growth rate and market share are important considerations in determining marketing strategy
- To develop it, all of a company's SBUs and products are
  - Integrated into a single matrix
  - Compared and evaluated to determine appropriate strategies
- Determines and classifies each product's expected future cash contributions and cash requirements

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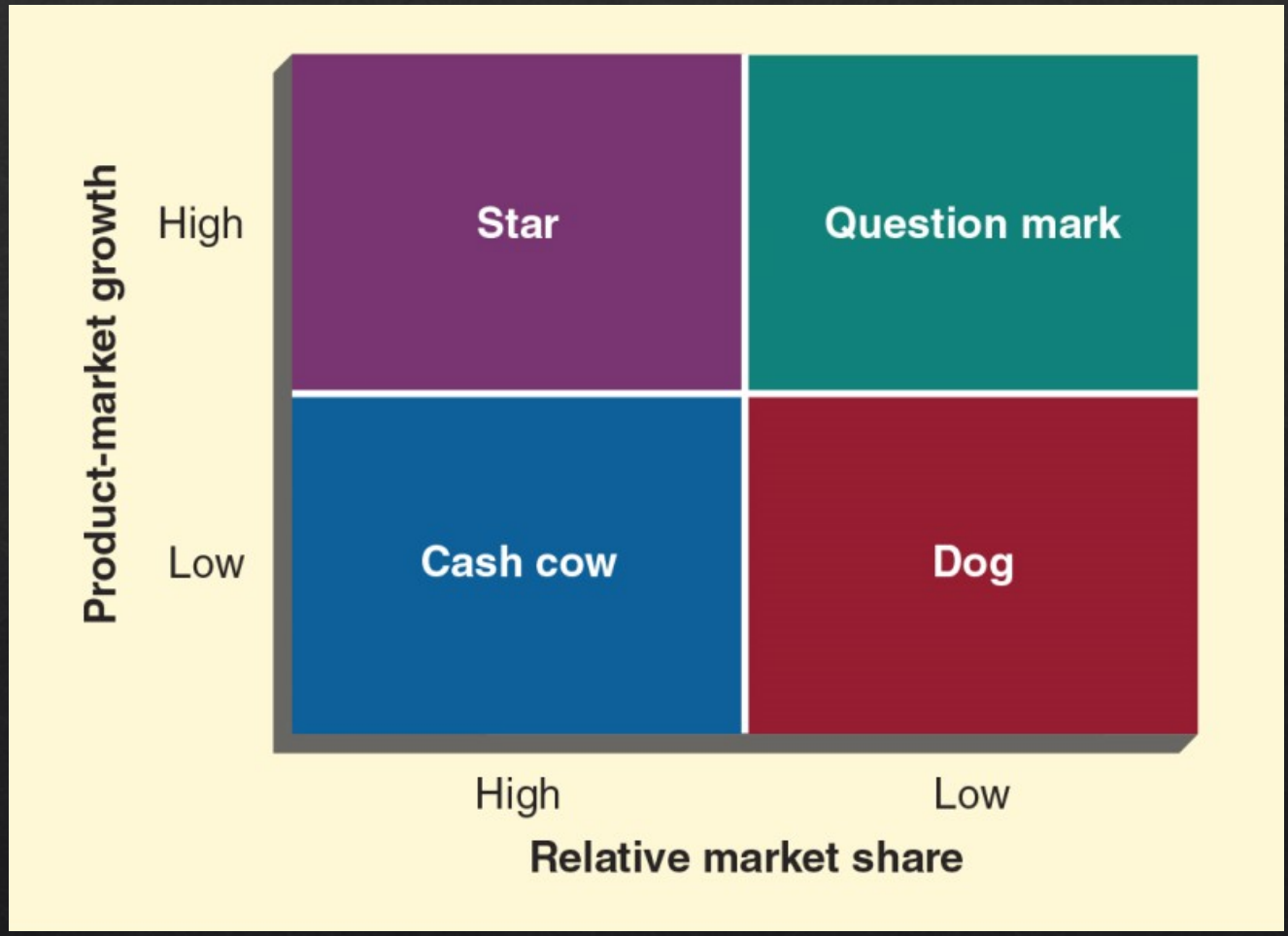
Figure 2.3 - Growth Share Matrix Developed by the Boston Consulting Group



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Assessing Organizational Resources and Opportunities

- Strategic planning requires considering
  - Organization's available resources
  - Capabilities
  - **Core competencies** - things a company does extremely well, giving it an advantage over competition
- **Market opportunity** - the right combination of circumstances and timing that permits an organization to reach a particular target market

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Assessing Organizational Resources and Opportunities (continued)

- **Strategic windows** - temporary periods of optimal fit between
  - Key requirements of a market
  - Particular capabilities of a company competing in that market
- **Competitive advantage** - matching a core competency to opportunities available in the marketplace

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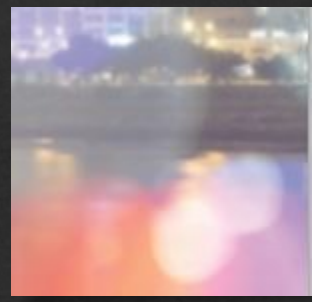
Discussion Point - Competitive Advantage



PROGRESSIVE
PULL THE TRIGGER ON SAVINGS.
ONLY PROGRESSIVE HAS THE NAME YOUR PRICE® TOOL. Give us a budget, and we'll show you a range of options so you can find something that works for you and your budget. Coverage you can count on at a great price. Now that's Progressive.
1-800-PROGRESSIVE / PROGRESSIVE.COM
PROGRESSIVE

Source: Progressive Casualty Insurance Company

Progressive has gained a competitive advantage through a combination of product features relative to those of competing brands.

How are companies using core competencies, market opportunities, and strategic windows to gain a competitive advantage?

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SWOT Analysis

SWOT analysis - assesses an organization's strengths, weaknesses, opportunities, and threats

- Indicates how marketers must seek to convert weaknesses into strengths and threats into opportunities
- Provides insight for marketers to match internal strengths with external opportunities to develop competitive advantages

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Figure 2.4 - The Four-Cell SWOT Matrix

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First-Mover Advantage

First-mover advantage - ability to achieve long-term competitive advantage by being first to offer a product in the marketplace

- Market is free of competition
- Helps establish customer brand loyalty
- Confidentiality is protected by patents

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Discussion Point – First-Mover Advantage

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Netflix had the first-mover advantage for subscription movie streaming.

What advantages did Netflix experience by being first to market?

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First-Mover Risks

- High outlays associated with creating a new product, including
  - Market research
  - Product development and production
  - Marketing or buyer education costs
- Early sales growth may not be as predicted
- Risk of
  - Product failure
  - Not meeting consumers' expectations or needs

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Late-Mover Advantage

Late-mover advantage - ability to achieve long-term competitive advantages by not being the first to offer a certain product in a marketplace

- Opportunity to learn from the first mover's mistakes
- Lower initial investment costs than the first mover
- More data availability and certainty about the success of the market for the product

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Late-Mover Risks

- First-mover may have
  - Patents on its technology
  - Trade secrets that prevent the late mover from
    - Reverse engineering its product
    - Producing a product that is too similar
- Difficult to gain market share
- Face strong competition and have more disadvantages

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Marketing Objective

Marketing objective - states what is to be accomplished through marketing activities, given in terms of

- Product introduction
- Product improvement or innovation
- Sales volume
- Profitability and market share
- Pricing, distribution, and advertising
- Employee training activities

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Marketing Objective Characteristics

- Be based on a careful study of the SWOT analysis
- Be expressed in clear, simple terms
- Be measurable
- Have specific time frame
- Be achievable and use company resources effectively
- Contribute to the overall corporate strategy

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Discussion Point – Marketing Objective

Source: eBay Inc

What is eBay hoping to achieve with this ad?

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Marketing Strategy

Marketing strategy - selection of a target market and the creation of a marketing mix to satisfy the needs of target market members

- Articulates the best use of the company's resources to accomplish its marketing objectives
- Directs resource deployment to boost competitive advantage

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Target Market Selection

- Provides a foundation on which the company can develop its marketing mix
- Marketing information focuses on the chosen target customers
- Marketers determine whether selected target market aligns with the company's overall mission and objectives

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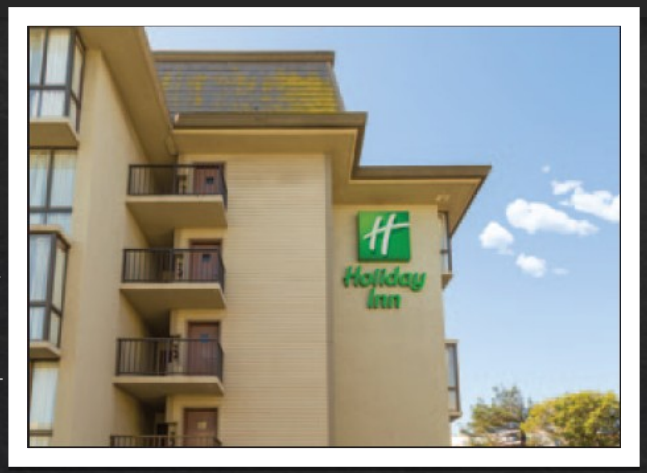
Discussion Point - Target Market Selection



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Are Holiday Inn Express and the Four Seasons Hotel aiming at the same target market?

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Creating the Marketing Mix

- Satisfying the needs of a market by conducting research to select the most appropriate target market
- Requires analyzing
  - Demographic information
  - Customer needs, preferences, and behaviors
- Characteristics
  - Consistency with the business-unit and corporate strategies
  - Flexibility in response to changes in market conditions

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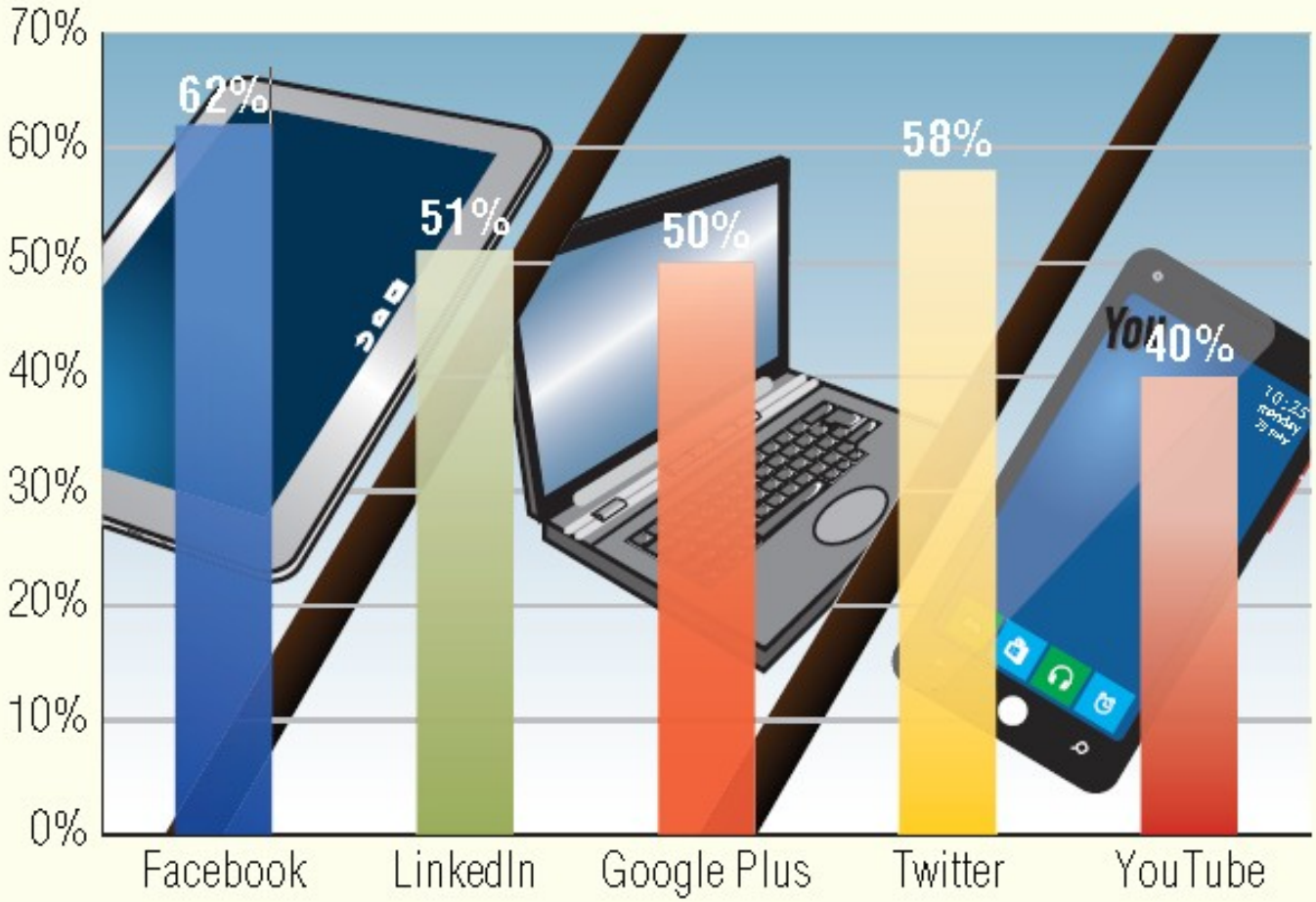
Percentage of Marketing Executives Who Will Change Their Marketing Strategies by Spending More on Social Media



SNAPSHOT

Source: Create Group survey of 400 advertising/marketing executives

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Sustainable Competitive Advantage

Sustainable competitive advantage – advantage that competition cannot copy in the foreseeable future

- Company maintains a sustainable competitive advantage
- Requires flexibility in the marketing mix

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Marketing Implementation

Marketing implementation – the process of putting marketing strategies into action

- Provide purpose and direction
- Effectiveness depends on
  - Well-organized marketing department that is capable of motivating personnel
  - Effective communication
  - Good coordination efforts
  - Setting reasonable and attainable timetables for completion of each activity

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Managing Marketing Implementation

- Organizing the marketing unit
- Motivating marketing personnel
- Communicating within the marketing unit
- Coordinating marketing activities
- Establishing a timetable for implementation

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Organizing the Marketing Unit

- Determine whether operations should be centralized or decentralized
  - **Centralized organization** - top-level managers delegate little authority to lower levels
  - **Decentralized organization** – decision-making authority is delegated as far down the chain of command as possible
- Align marketing activities with the overall strategic marketing

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Motivating Marketing Personnel

- Linking pay with performance
- Informing workers how their performance affects their
  - Department and corporate results
  - Own compensation
- Providing appropriate and competitive compensation
- Implementing a flexible benefits program
- Adopting a participative management approach

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Nonfinancial Rewards

Nonfinancial rewards for employees

- Prestige or recognition
- Job autonomy
- Skill variety
- Task significance
- Increased feedback
- More relaxed dress code

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Discussion Point - Recognition

iStockphoto.com/Skynesher

Recognizing outstanding performance is one approach to motivating marketing personnel.

In what ways can companies reward their employees?

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Communicating within the Marketing Unit

- Marketing managers must communicate with upper-level management
  - Ensuring they are aware of the firm's goals and achievements
  - Ensuring marketing activities are consistent with the overall goals
  - Ensuring activities are in sync with other departments
- Communication flows upward
  - Enabling managers to communicate customer wants and needs
  - Allowing upper-level management understands problems and requirements of lower-level employees

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Training and Information within the Marketing Unit

- Effective training is important
  - Provides employees a forum to learn
  - Employees can be held accountable for their performance
- High-tech information systems track data and facilitates communications between marketing managers, sales managers, and sales personnel
  - Expedites communications
  - Supports activities such as budgeting and sales analysis

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Coordinating Marketing Activities

- Coordinating diverse employee actions
- Working closely with management in several areas to ensure activities align with firm functions to achieve marketing objectives
  - Research and development
  - Production
  - Finance and accounting
  - Human resources
- Coordinating activities of internal marketing staff with marketing efforts of external organizations

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Establishing a Timetable for Implementation

1. Identifying the activities to be performed
2. Determining the time required to complete each activity
3. Separating the activities to be performed in sequence from those to be performed simultaneously
4. Organizing the activities in the proper order
5. Assigning responsibility to one or more employees, teams, or managers for completing each activity

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Strategic Performance Evaluation

Strategic performance evaluation –

- Establishing performance standards
  - **Performance standard** - expected level of performance against which actual performance can be compared
  - Derived from marketing objectives
- Measuring actual performance
  - **Sales analysis - u**ses sales figures to evaluate a firm's current performance
  - **Marketing cost analysis - b**reaks down and classifies costs to determine which are associated with specific marketing efforts
- Comparing actual performance with established standards
- Modifying the marketing strategy

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Discussion Point – Performance Evaluation

Source: Frito-Lay North America, Inc.

Measuring the cost of an advertising campaign is not difficult. Evaluating the effectiveness of an advertising campaign is challenging.

Why is it difficult to evaluate the effectiveness of an advertising campaign?

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Market Share Analysis

- Lets a company compare its marketing strategy with competitors' strategies
- Primary reason is to estimate whether the sales changes have resulted from
  - Firm's marketing strategy
  - Uncontrollable environmental forces

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Marketing Cost Analysis

- Compare the costs for the company's marketing strategy with costs for previous marketing activities
  - Evaluate performance of a marketing strategy
  - Isolate profitable or unprofitable customers, products, and geographic areas
- Categorize costs
  - Fixed costs, such as rent and employee salaries
  - Variable costs, such as production and sales volume
  - Specific business functions, such as storage and sales facilities

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Comparing Actual Performance with Performance Standards

- When actual performance exceeds performance standards
  - Marketing strategy deemed effective
  - Gain an understanding of why the strategy is effective
- When actual performance fails to meet performance standards
  - Determine why a marketing strategy was less effective
  - Determine whether the marketing objective is realistic

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Marketing Plan

Marketing plan - specifies the activities to be performed, to implement and control an organization's marketing strategies

- Provides a uniform marketing vision for the firm
- Delineates marketing responsibilities and tasks
- Outlines schedules and presents objectives
- Specifies resource allocation
- Helps evaluate the performance of

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Marketing Plan (continued)

- Aligns with corporate and business-unit strategies
- Should be accessible to and shared with all key employees
- Should reflect the company's culture and be representative of all functional specialists in the firm

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Table 2.1 - Components of the Marketing Plan

Plan Component	Component Summary	Highlights
Executive Summary	One- to two-page synopsis of the entire marketing plan	1. Stress key points 2. Include one to three key points that make the company unique
Environmental Analysis	Information about the company's current situation with respect to the marketing environment	1. Assess marketing environment factors 2. Assess target market(s) 3. Assess current marketing objectives and performance
SWOT Analysis	Assessment of the organization's strengths, weaknesses, opportunities, and threats	1. Company strengths 2. Company weaknesses 3. Opportunities in the environment and industry 4. Threats in the environment and industry
Marketing Objectives	Specification of the company's marketing objectives	1. Qualitative measures of what is to be accomplished 2. Quantitative measures of what is to be accomplished
Marketing Strategies	Outline of how the company will achieve its objectives	1. Target market(s) 2. Marketing mix
Marketing Implementation	Outline of how the company will implement its marketing strategies	1. Marketing organization 2. Activities and responsibilities 3. Implementation timetable
Performance Evaluation	Explanation of how the company will evaluate the performance of the implemented plan	1. Performance standards 2. Financial controls 3. Monitoring procedures (audits)

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